

ATO notification of new contribution caps

The ATO is in the process of issuing reminder notices to members about the new concessional contribution cap that became effective from 1 July 2009. However, not all members will receive this notification. It will only be sent to those whose contributions in 2007/08 would have breached the new caps.

To assist them in their endeavours, the ATO has engaged ASFA to distribute the letter for inclusion on fund websites and/or in specific communications with members. Remember, a breach of the new \$25,000 cap – accidental or otherwise – will incur excess tax of 31.5% for the member.

Let's hope the integrity of the ATO's database has been improved from a few months ago. You may recall the ATO sent notifications to members advising them that they had exceeded their 2007/08 contribution limit. However, AXIS found that half of these notifications were incorrect.

The timeframe for distribution of the letter is from 16 September to the middle of November. If you'd like a copy of the letter, visit our website at www.axisfg.com.au click on Corporate Services, then Publications and Resources. For more information, feel free to contact your AXIS adviser or visit www.ato.gov.au/supercaps

Online super still not up to speed

A recent report issued by KPMG reveals that super funds are still lagging with regards to real time internet processing.

The *Superannuation Fund Internet Capability Survey 2008* ranked the internet capability of the employer-sponsored divisions of 27 multi-employer superannuation funds. Since first issuing the Survey in 2005, KPMG found that, while online functionality had improved, seven of the participants were still unable to provide real time data for account balances and 10 of the funds displayed security issues.

The Survey also found that improvements were required in terms of functionality for pensions, as well as online calculator offerings. As far as retail funds go, Plum Superannuation, Mercer Super Trust and Colonial First State ranked highest in overall ratings, including real time processing. On the industry fund side, REST, First State Super, Asset Super and Auswide Master Trust (joint third) ranked highest.

New Age Pension index

A new index has been developed by the Australian Bureau of Statistics (ABS), to better reflect changes in pensioner living costs and other households receiving government income assistance. As part of the Henry Tax Review, Dr Jeff Harmer was commissioned to review Australia's pension system. The new Pensioner and Beneficiary Living Cost Index (PBLCI) was one of the recommendations stemming from Harmer's Pension Review Report.

The PBLCI will be used in conjunction with the Consumer Price Index (CPI), when calculating the changes to social security payments in March and September each year. Base pension rates will be raised by the higher of the PBLCI or the CPI.

For the June 2009 quarter, the PBLCI was 0.1% higher overall, compared with a rise of 0.5% in CPI. The ABS intends to progressively improve the Index to ensure that price changes are captured as accurately as possible.

Short form Product Disclosure Statements

The Financial Services Working Group (FSWG) was established by the Government in 2008 to review key issues relating to financial services advice and disclosure. One of these issues was a short form, standardised Product Disclosure Statement (PDS).

The first draft example, in simple Word format, was issued for comment last month with appropriate recommendations now incorporated. Included as part of the short form PDS will be a one page fee disclosure model; the standardisation of which has often led to contention, due to the varying complexities of super funds. So, it will be interesting to see how this issue is catered for in the short form PDS's.

The first round of consumer testing is currently underway for three types of professionally designed documents and will be completed by October 2009:

- Draft PDS designed for less complex super funds (eg an industry fund with five investment options);
- Draft PDS designed for a more complex super fund (eg a retail fund with numerous investment options); and
- Draft PDS for a simpler Managed Investment Product.

Treasury's aim is to issue draft regulations for the short form PDS prior to Christmas 2009. We'll let you know the results of testing when they're available.

New APRA Prudential Practice Guides

APRA has recently asked for comment on four new Prudential Practice Guides (PPGs). The intention is for the PPGs to progressively replace all Superannuation Guidance Notes (SGNs):

Existing SGN	PPG Replacement
SGN 150.1 – Capital Requirements (net tangible assets)	SPG 110 – Capital
SGN 120.1 – Risk Management	SPG 200 – Risk Management
SGN 140.1 – Adequacy of Resources	SPG 230 – Adequacy of Resources
SGM 110.1 – Fit and Proper	SPG 110 – Fitness and Propriety

The PPGs are designed to help trustees and their directors in matters such as operating standards and sound practice and satisfying their legislative obligations and other provisions in accordance with the SIS Act and Regulations.

New documentation certification rules for AML/CTF

AUSTRAC has released *Anti-Money Laundering and Counter-Terrorism Financing Rules Amendment Instrument 2009 (No 4)*. The Amendment incorporates a number of changes. However, perhaps the one that funds will find most favourable is the extension of persons who can certify that a document is a true and correct copy. A copy of the rules is available at www.austrac.gov.au Click on legislation, then AML/CTF Rules.

Super scams still doing the rounds

Super scams claiming that members can gain early access to their super continue to be promoted in the media. Early access to super can only be obtained in limited circumstances, such as financial hardship grounds.

To counteract the false promotions, ASIC has issued information to industry associations and also provided an information brochure for individuals on their website.

ASIC believes that the current economic conditions have resulted in an increase in the number of people trying to illegally access their super money. The regulator is appealing to trustees of regulated super funds to remain vigilant and to assist them in limiting the illegal early access by members.

For further information, visit www.fido.gov.au click on *About financial services, superannuation, early release of super* (left hand tool bar).

More news on the Henry Tax Review

The Henry Tax Review continues to cause controversy among industry with their recommendations. Its most recent proposal relates to the ability for low income earners, retiring with limited super, to buy a lifetime annuity from the Government to top-up their Age Pension.

The proposal is in response to the growing concerns about “longevity risk” – the risk that an increasing number of individuals will outlive their retirement savings – and total reliance on the Age Pension. Indeed, this issue is already of major concern with Australia’s ageing population and relatively young compulsory superannuation system.

At odds with the proposal are fund management companies, who would prefer changes to tax and social security regulations to make private annuity products more attractive. This is one of the reasons why CEO of the Australian Institute of Superannuation Trustees, Fiona Reynolds, believes the Henry Review is on the right track.

Reynolds states that the available lifetime annuity products are quite expensive, particularly for retirees with small account balances. However, a lifetime annuity to top-up their pension would not be subject to market volatility and would provide a much-needed financial buffer.

References:

- www.superannuation.asn.au
- www.apra.gov.au
- www.fido.gov.au
- www.bravurasolutions.com Super fund tech still lags, 17 August 2009
- Kaplan Research, October 2009

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